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August 30, 2006

RECEIVED

AUG 30 2006

SC PUBLIC SERVICE  
COMMISSION

2006 AUG 30 PM 3:35

RECEIVED

The Honorable Charles L.A. Terreni  
Chief Clerk/Administrator

**Public Service Commission of South Carolina** SC SC  
Post Office Box 11649  
Columbia, South Carolina 29211  
DOCKETING DEPT.

RE: Application of Carolina Water Service, Inc. for adjustment of rates and charges for the provision of water and sewer service; Docket No. 2006-92-WS

Dear Mr. Terreni:

Enclosed for filing please find the original and five (5) copies of the **Explanatory Brief and Joint Motion for Settlement Hearing and Adoption of Settlement Agreement** in the above-referenced matter. Attached thereto you will find the Parties' Settlement Agreement of today's date and supporting documentation submitted in accordance with the Commission's June 13, 2006 Settlement Policies and Procedures.

I would appreciate your acknowledging receipt of these documents by date-stamping the extra copy that is enclosed and returning it to me via our courier delivering the same. By copy of this letter, I am providing a copy of same to counsel for the Office of Regulatory Staff. If you have any questions or if you need any additional information, please do not hesitate to contact us.

Sincerely,

**WILLOUGHBY & HOEFER, P.A.**

  
John M.S. Hoefer

JMSH/amw

Enclosures

cc: C. Lessie Hammonds, Esquire  
Shannon B. Hudson, Esquire

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BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2006-92-W/S

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SC PUBLIC SERVICE  
COMMISSION

IN RE:

Application of Carolina Water Service,  
Inc. for adjustment of rates and charges  
for the provision of water and  
sewer service.

**EXPLANATORY BRIEF AND JOINT  
MOTION FOR SETTLEMENT  
HEARING AND ADOPTION OF  
SETTLEMENT AGREEMENT**

The South Carolina Office of Regulatory Staff ("ORS") and Carolina Water Service, Inc. ("CWS" or "the Company") (collectively "the Parties") pursuant to 26 S.C. Code Ann. Regs. 103-840, the Settlement Policies and Procedures established by the Public Service Commission of South Carolina ("the Commission"), revised June 13, 2006, and other applicable statutes, rules and regulations, hereby file this Explanatory Brief and Joint Motion to establish a settlement hearing in the above-captioned proceeding and for approval of the settlement agreement filed herewith. In support of this Joint Motion, the Parties state as follows:

1. On or about March 27, 2006, CWS filed an Application seeking an adjustment of its rates and charges and modifications to certain terms and conditions set out in its rate schedule for the provision of its water and sewer service. By its application, the Company sought an increase in annual water and sewer revenues of \$957,980. Pursuant to S.C. Code Ann. Section 58-4-10(B), ORS is a party of record in this proceeding.

2. ORS has conducted extensive discovery in this matter, propounding numerous data requests to CWS. Additionally, ORS has conducted both a financial and business

compliance audit of CWS and in connection therewith has propounded to CWS numerous informal audit requests. CWS has supplied to ORS certain information and documentation in the course of such discovery and audits.

3. Following extensive discussions concerning the issues in the above-captioned proceeding, CWS has determined that its interests, and ORS has determined that the public interest, would best be served by stipulating to a comprehensive settlement of all issues pending between them in the above-captioned proceeding. The agreement detailing the terms and conditions of the settlement is provided herewith as Attachment "A". The proposed witnesses to be presented to support the settlement are Converse C. Chellis, III, CPA, and B.R. Skelton, PhD. The basis and rationale for the settlement is set forth in the proposed settlement testimonies of these witnesses, copies of which are attached as Exhibit "E" and "F", respectively, to Attachment "A". If the Parties' settlement agreement is approved, the Company would receive an increase in annual revenues of \$474,117, based upon a stipulated return on equity of 9.40%, a return on rate base of 7.64%, with a resultant operating margin of 9.86%. The proposed resulting rate schedule is reflected in Exhibit "G" to Attachment "A".

4. Currently, the hearing in this matter is scheduled for September 7 and 8, 2006. The Parties jointly move the Commission to commence the hearing as scheduled on September 7, 2006, to permit any public witnesses an opportunity to testify and allow the parties to publish a summary of the proposed settlement. The Parties further jointly move that a hearing on the merits of the proposed settlement, if deemed necessary by the Commission, be scheduled at a later date.

5. The Parties submit that the settlement agreement produces rates that are just and reasonable and move its approval as being in the public interest.

WHEREFORE, having fully set forth their Explanatory Brief and Joint Motion, the Parties request that the Commission 1) permit the Parties to publish a summary of the settlement agreement on September 7, 2006, at the conclusion of any public witness testimony in the instant case, 2) that the Commission schedule a hearing on a future date for the purpose of accepting testimony and evidence supporting the Parties' settlement agreement should the Commission deem it necessary, and 3) issue an order approving the Parties' settlement agreement as just, fair and reasonable.

WE SO MOVE:

**Representing the Office of Regulatory Staff**



Shannon Bowyer Hudson, Esquire  
Nanette S. Edwards, Esquire  
**Office of Regulatory Staff**  
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WE SO MOVE:

**Representing Carolina Water Service, Inc.**

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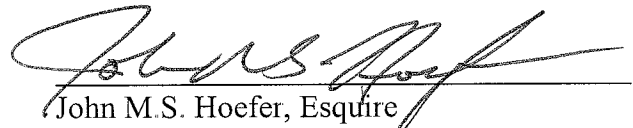
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August 30, 2006  
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